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REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

SUMMARY

1. The May 1950 meeting of the conference of Foreign Ministers in London may well mark the beginning of a new phase in the cooperative effort of the nations of the Western Europe-North Atlantic region to build up the political, economic, and military strength necessary to meet the threat of Soviet domination.

2. To weaken Western resolution as well as to gain ground wherever possible, the USSR has continued its policy of menacing actions accompanied by an extraordinary propaganda emphasis on a world-wide "peace" campaign. The increase of Soviet provocative tactics in Western Europe, however, does not necessarily indicate that the USSR anticipates early and spectacular successes in Europe. No immediate "revolutionary situation" appears to be developing there, and available evidence suggests that the Soviet Union is not ready for an armed conflict with the West in the near future.

3. *a.* Against the background of Soviet pressures designed to prevent the strengthening of the West, the Western Powers will be increasingly harassed by the struggles of the Germans to regain their national sovereignty. A gradual swing to the right-of-center parties is anticipated in the forthcoming *Land* elections with a consequent reduction in the influence of the moderate parties which form the basis of the Adenauer coalition. Continuation of the present trend toward an Eastern trade pattern might make West Germany increasingly susceptible to Soviet pressure and manipulation.

b. The Free German Youth Rally in Berlin 27-29 May probably will be utilized by the USSR more for propaganda and psychological harassment of the Western sectors than as a direct attempt to seize the entire city.

4. While recovery in Britain has continued, the danger of further inflation places the economy in a vulnerable position. The attainment of economic viability depends on a continuation of external economic conditions favorable to Britain, including a high level of US economic activity as well as ERP aid.

5. Yugoslavia appears to be in a stronger position than at any time since the break with the Cominform in June 1948, in view of likely improvement in internal conditions, continuing progress toward bettering Yugoslavia's relations with the West, and the fact that there is no current indication of a Soviet intention to suppress Tito by the use of armed force.

6. Anti-US attitudes have recently become more evident in several Near and Middle Eastern countries. It can be anticipated that these tendencies will be encouraged and utilized by Soviet propaganda.

7. *a.* In Indonesia, the Federal Government has recently been making progress toward achieving greater political stability.

b. In Burma, the political consequences of the Army's recent military victories have increased somewhat the Government's prestige and authority.

c. In Korea, the general elections to the National Assembly scheduled for 30 May are expected to reduce President Rhee's autocratic control of the country.

Note: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force. The information contained herein is as of 12 May 1950.

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REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

1. Western Regrouping Toward an Atlantic Community.

The May 1950 meeting of the conference of Foreign Ministers in London may well mark the beginning of a new phase in the cooperative effort of the nations of the Western Europe-North Atlantic region to build up the political, economic, and military strength necessary to meet the threat of Soviet domination. To date, progress toward systematic and thoroughgoing cooperation among the non-Soviet nations of Western Europe and North America has been sufficient to prevent the loss of Europe to the USSR. Progress has not been sufficient, however, to restore Western Europe to a comparatively permanent state of stability and security. In recent months, the nations of the Western world, confronted with the tireless aggressiveness of Soviet foreign policy and the steadily increasing industrial and military strength of the USSR, have become persuaded that they must take stronger measures if they are to build a political, economic, and military structure that can neither be overshadowed nor disrupted by the USSR.

The primary strategic objective of the Western Powers in the crucial period of the next two or three years is still, as in the past two or three years, the stability and security of Western Europe. In the phase just ending, the Western Powers have been trying to gain their objective in Europe on the basis of a gradual development of regional cooperation among the Western European nations, supported by US economic and military assistance programs. Regional association in a strictly European context has been slow and uncertain. US assistance in the economic sphere has been limited in duration to mid-1952. The projected reconstruction of the Western European economy with a view to developing a "mass market" and eliminating the persistent dollar deficit has been meeting

with obstruction from both the continent and the UK. US military assistance has been limited in size to token proportions in comparison with actual Soviet forces-in-being.

During recent months there has been a growing recognition that the economic stability and military security of Western Europe cannot be guaranteed on a long-term basis within the framework of the piecemeal, limited-liability system of cooperative association represented by the Marshall Plan (OEEC), the Atlantic Pact (NATO), and the Council of Europe. Moreover, it has been recognized that the UK, France, and the US, despite their divergent views, must quickly come to an agreement on a formula for binding Western Germany firmly to the West.

Further Soviet advances in South and Southeast Asia must be prevented because of the effect these would have upon the total power balance between the Soviet bloc and the Western Powers. And finally, it has become increasingly clear that, in spite of the progress made to date, the morale of Western Europe has not developed to a point where there is genuine confidence in the future and an incentive for long-range plans and commitments. All these factors have tended to push the Western Powers toward association in a broader power-grouping than a strictly Western European union and to create a sense of urgency in attempting to resolve their differences.

Recent proposals brought forth in connection with the current meeting of Foreign Ministers have thus looked toward an expansion of the North Atlantic Treaty system, broadening its base to encompass political and economic as well as military affairs. Such a move would be the first short step in a new, better coordinated, more intensive program to improve the production and productivity of the economies, the stability of the political

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structures, the military capabilities, and the morale of all the nations of the Western European-North Atlantic community.

2. Soviet Policy in Europe.

The current drive for strengthening the North Atlantic Treaty organization is in part a reaction to the aggressive and hostile tone of Soviet foreign policy and propaganda in recent months. This Soviet aggressiveness, in turn, has probably stemmed in large part from indications of confusion and lack of cohesion on the part of the Western Powers.

In the Far East, the USSR has been strengthening Sino-Soviet ties while steadily building up the Communist threat to South-east Asia. By intensifying its pressure in the European theater at the same time, the USSR is testing Western determination to commit its resources to a power conflict waged simultaneously on two fronts. The success of the Soviet campaign will depend on the extent to which the US and other Western nations will continue to resist Soviet pressure all over the world and on the extent to which the US in particular will make the effort and commitments necessary to carry out the policy of containing Soviet Communism. Recent indications of dissension and uncertainty within the US could influence Soviet leaders to doubt US tenacity of purpose.

To weaken Western resolve as well as to gain ground wherever possible, the USSR has combined a series of menacing actions in international power politics with an extraordinary propaganda emphasis on a worldwide "peace" campaign. The continuing Soviet efforts to intimidate the West Berliners, the defiant attitude of the USSR over shooting down a US plane in the Baltic area, the reassertion of Soviet interests in Trieste, increasingly overt Soviet encouragement of Far Eastern Communists, and the renewal of demands for greater Soviet influence in control of the Dardanelles, all have been designed in part to paralyze Europeans with nervous fear of atomic war. By stimulating this psychology of fear, the USSR may hope that the peoples of the North Atlantic Treaty and European neutral nations increasingly will accept the accompanying Soviet propaganda theme

that Western intransigence prevents the development of an otherwise feasible *modus vivendi* in the great-power conflict. The USSR fosters the idea of peaceful co-existence as the most practical method of persuading non-Communists to tolerate the growth of Soviet influence, to encourage neutrality sentiment in Europe, and to arouse opposition to the leadership of the US in the non-Soviet world.

In recent weeks a predominant theme in this Soviet "peace" campaign has been the proposal for the outlawing of the use of the atomic bomb. The USSR probably believes that the Western Powers, relying heavily on US superiority in atomic weapons, would not jeopardize their security by acceding to the Soviet atomic plan. The USSR is obviously trying to convince world public opinion that the failure to reach any atomic understanding is due to the recalcitrance of the Western Powers.

The increase in Soviet provocative tactics in Western Europe does not necessarily indicate that the USSR anticipates early and spectacular successes in Europe. No immediate "revolutionary situation" appears to be developing there, and available evidence suggests that the Soviet Union is not ready for an armed conflict with the West in the near future.

There are no firm indications that the USSR and neighboring satellites are now planning to take overt military action against Tito. The USSR will probably concentrate in the coming months on its efforts to communize East Germany, and is unlikely for the time being to make any major moves that would tend to encourage West German participation in the Western political and military community. Above all, the Soviet objective will be to undermine the morale of US allies in Europe in the critical period of attempted reinvigoration of the whole Atlantic community.

3. Germany.

a. Drive toward Sovereignty.

Against the background of Soviet pressures designed to prevent the strengthening of the West, the Western Powers will be increasingly harassed by the struggles of the Germans to regain their national sovereignty. Five years

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after VE-Day the West Germans have recovered sufficiently from the effects of the second World War to seek to diminish the restraining authority of the Western Powers and to negotiate with them for a restoration of German freedom of action. Since the Germans fully appreciate the advantages as well as the dangers of their middle position between the USSR and the West, they have constantly attempted to raise the price of their adherence to a Western European grouping. Their leaders have been assessing US progress in the cold war and have been calculating the assurances they must gain from the West to justify such an association.

In recent weeks the West German Republic has been publicly exhibiting increasing indications of its urge for greater sovereignty. Adenauer's effort to reduce income taxes for the higher and medium income brackets, his unwillingness to democratize the civil service law, and his failure to enforce US export controls all have reflected pressures in the Federal Parliament that these issues be decided according to strictly German interests. Although in these cases the West Germans were forced to yield somewhat to the prerogatives of the Allied High Commission, Adenauer has, over a period of months, been granted increasing authority by the Western Powers. Also, Adenauer's delaying tactics in agreeing to German participation in the Council of Europe was part of his campaign to obtain greater autonomy in foreign affairs. The West Germans are anticipating a full reconsideration of the occupation statute before September 1950 and intend to achieve greater freedom of action by that date.

Between now and then the character of the German government that is gaining more sovereign powers will be influenced to an important degree by the forthcoming elections in the *Laender* or provinces of the Federal Republic, most of which will be held during the next twelve months beginning on 18 June 1950. Any shift in political power in *Land* elections will have a direct influence on the members of the Federal Parliament.

A gradual swing to the right-of-center parties is anticipated, with a consequent reduction in the influence of the moderate parties

which form the basis of the Adenauer coalition. This drift to the right in West Germany reflects to a considerable extent the rise in popularity of nationalist and extremist groups, in whose ranks are many unemployed refugees. In general, many of these elements, which are primarily interested in creating a united Germany incline to a policy of accommodation with the USSR as the most likely means to achieve this nationalist goal. Adenauer hopes to avert a serious loss of strength to such parties by achieving greater freedom of action in foreign affairs and consolidating the position of the federal bureaucracy.

Essentially, the Adenauer coalition rests on the support of the upper and middle-class agrarian and urban population in the West German Republic. Financial and industrial interests—prominent in Adenauer's party, the Christian Democratic Union—have increasingly favored closer trade ties with the Soviet orbit in order to obtain a less competitive market for their manufactured goods. West German industrialists, especially in the Ruhr, have been extending greater private credits to state-owned industry of the Soviet zone despite the fact that shipments from that zone have practically ceased. They profess to be convinced that Soviet trade policy is determined without regard to political objectives. In addition, agricultural groups are highly organized and exert strong influence in the Adenauer coalition. They believe that imports of Eastern agricultural products enable them to evade Western pressure for trade liberalization and thereby permit them to maintain their present agricultural price-support program. Continuation of such an Eastern trade pattern might make West Germany increasingly susceptible to Soviet pressure and manipulation.

b. Berlin Youth Rally.

The Free German Youth rally in Berlin 27-29 May probably will be utilized by the USSR more for propaganda and psychological harassment of the western sectors than as a direct attempt to seize the entire city. The demonstration of approximately 500,000 East German Communists is thus likely to be, not a conclusive action, but rather an episode in a

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continuing attempt of the USSR to reduce the resistance of West Berliners and to alienate them from the Western Powers. By propaganda and political measures, the USSR will try to portray Berlin as the capital of the East German Democratic Republic.

The possibility remains, however, that localized "spontaneous incidents" in connection with the rally will get out of hand and develop into riot proportions. Efforts probably will be made by the Free German Youth to stage isolated demonstrations in the western sectors of Berlin, possibly by the use of trained "agitation units." Tactics of this sort may lead to conflict with the west-sector police or with Allied military units. Such "spontaneous" violence would not directly involve the USSR but would serve the USSR as a probing operation to test western reaction to East German aggressive action and might provide the East German cause with youthful martyrs. The strong reaction of the West Berliners to the May Day threat indicates that they will enthusiastically support the Western Powers.

The rally is likely to achieve its limited objective of demonstrating Communist success in the political indoctrination of German youth. The Communist retreat from earlier militant propaganda that the rally would result in their winning West Berlin has also weakened the Communist position. Assuming that the Western security forces are able to control any manifestations of violence during the rally, as seems probable, the immediate effect of the rally on the morale of West Berliners is likely to be favorable.

4. The Situation in Britain.

The outcome of recent by-elections and of the Parliamentary voting on the 1950-51 budget, in which the Government obtained a narrow five-vote majority, gave renewed evidence of the political equipoise which continues to obtain in Britain. This condition is likely to continue unless some unforeseen question of national significance arises and turns a current of public opinion toward one or the other of the political parties. In the absence of such an issue, the present Parliament's dissolution will not take place before its second session in the early fall. The main

lines of foreign policy, however, will not become issues between Labor and the Conservatives. The hesitations apparent from time to time in the conduct of foreign affairs are less the result of the political balance than the desire of the British Government to retain a position of maneuver while weighing the ultimate effects on the UK of various courses of action.

Meanwhile, Britain's economic position as reflected in recent reports justifies considerable optimism. The interim index of industrial production improved in 1949 by over 6½ percent, an increase largely attributable to increased productivity per man. British exports in 1949 reached £1.8 billion as against £1.6 billion in 1948. During March 1950, UK exports attained a figure of £184 million, a record level of value. The recovery of Britain's (and the Sterling Area's) gold reserves in the first quarter of 1950 was also notable. At \$1,984,000,000 they are at a level above that of a year ago, nearly equal to that regarded in the UK as the minimum safe working balance for the Sterling Area, but over \$200 million below the sum held when the Marshall Plan was initiated two years ago. Since devaluation last September there has been steady recovery, and during the first three months of 1950 the sterling-area dollar accounts actually showed a net surplus apart from ECA aid—the first quarter since before the war that a dollar surplus has been earned.

Not only the precarious nature of Britain's currently favorable economic position and its continued dependence on ERP aid plus a sustained high level of US business activity, but also looming labor restiveness obviate any complacency. The improvement in the gold and dollar reserves is still partly due to non-recurring benefits of devaluation and partly to seasonal peaks in the earnings of some commodities, particularly wool and cocoa. The British question whether US demand for sterling-area commodities will remain high and stable. Also, British exporters are facing increasing competition in world trade, particularly with Germany and Japan, while a buyer's market is replacing the postwar seller's market.

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In addition, internal prices are beginning to rise as the effects of devaluation begin to be felt. This factor, in turn, is adding to the pressure for higher wages. Since the government cannot risk serious labor disturbances, some general wage increases are to be anticipated. As a result, the inflationary pressures within the UK will increase, further raising the prices of British industrial products and weakening the competitive position of British exports. Such circumstances, in the face of diminishing ERP aid, will add to Britain's economic difficulties.

Further complications are inherent in the government's general economic policies, involving very high taxation and expenditure. Taxation, taking over 40 percent of the total of all incomes, can hardly be raised. Yet demand for public expenditure remains great inasmuch as both parties are committed to extensive social services, a high level of military expenditures, capital expansion in the UK, and investment in the Colonies. Releases from the blocked-sterling balances, the wartime debts which Britain owes particularly to India and Pakistan, add a substantial economic burden even though they help to insure the political and economic stability of the area.

It is clear that, while recovery in Britain has proceeded, the danger of further inflation places the economy in a vulnerable position. The attainment of economic viability depends on a continuation of external economic conditions favorable to Britain, including a high level of US economic activity as well as ERP aid.

5. Yugoslavia.

Tito, in his "state of the Nation" address before the new National Assembly on 26 April, further clarified his policy of progressively smoothing his relations with the West as a means of strengthening his position in the cold war. Although Belgrade will continue to adhere to its professed role of independence between the Eastern and Western Power groupings, Tito's statement that closer cooperation between Yugoslavia and the pro-Western nations on its borders would "consolidate peace in the Balkans" marks a significant development in Yugoslavia's reorientation. The

Yugoslav initiative in establishing friendly diplomatic ties with Greece, in working for closer relations with Austria, and in appealing for an understanding with Italy despite the inflamed Trieste issue has been favorably received in Western Europe and further widens the political cleavage between Yugoslavia and the USSR.

As to Trieste, the Belgrade Government has privately expressed its belief that Italy will be unable to negotiate any agreement with Yugoslavia in the near future because de Gasperi is under considerable pressure to maintain Italian prestige. The Yugoslav Government is, therefore, inclined to allow the present tension to abate before undertaking any formal negotiations. However, even moderate reiteration of the Yugoslav position regarding Trieste has met with so violent a public reaction in Italy that there remains the danger that the Trieste issue will not ease perceptibly in the immediate future.

Although Greek-Yugoslav relations are taking a marked turn for the better as a result of Tito's enunciation of his "good neighbor" policy, the problem of the 10,000 Greek children detained in Yugoslavia may prove to be a serious obstacle in reaching an understanding between the two countries. Since Yugoslavia is not expected to agree to the return of sufficient numbers of these children to satisfy Greek public opinion, the settlement of this outstanding question probably will be slow. Therefore any Yugoslav-Greek economic agreement may be delayed.

Within Yugoslavia, there appears to be growing confidence in the country's future, as a result both of improved relations with the West and accumulating evidence of its continued internal stability and economic progress. The \$127 million trade agreement with Western Germany which was signed by the Germans on 18 April will contribute materially to Yugoslavia's reconstruction and development, while prospects for an important Franco-Yugoslav economic agreement appear brighter. Also, Tito has recently been considering concessions to popular demand that the supply and quality of available consumer goods be increased. By "decentralizing" heavy and light industry and thus tempering

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the economic evils of Communist bureaucracy, Tito expects to improve industrial efficiency. This decision also should have a favorable political effect within the constituent republics, which have been traditionally jealous of their local autonomy. In view of likely improvement in internal conditions, continuing progress in Yugoslavia's relations with the West, and no current indications that the USSR intends to suppress Tito by the use of armed force, Yugoslavia appears to be in a stronger position than at any time since the break with the Cominform in June 1948.

6. Anti-US Attitudes in Near and Middle East.

At the conclusion of World War II, the US adopted a positive policy in the Near and Middle East calculated to oppose Soviet expansionism. The reputation of US disinterestedness toward these countries had stimulated the hope among the governments of the area that the US planned to implement its anti-Communism campaign by military expenditures and by raising the standard of living through economic and social programs. Recently, however, the burdens of the global cold war as well as intra-regional friction have caused a shift in Near and Middle Eastern attitudes toward the US. There has been an increasing tendency both to regard the US as motivated by a narrowly defined and often short-sighted self-interest and to accuse it of failure to translate its promises of support into adequate economic and military aid. In addition, the US is charged with showing preferences in its dealings with the nations of the area and a desire to interfere in their internal affairs. These anti-US attitudes have become more evident in several Near and Middle Eastern countries within the past few weeks.

In India, the feeling of friendship for the US, which developed during 1948 and early 1949, is apparently being supplanted by a mood of distrust and resentment. The US is currently being blamed in many circles for not providing financial and economic assistance which India patently needs and wants even if it has not been specifically requested. In addition, Indians believe that the US is pro-Pakistan in the Kashmir dispute and has an underlying desire to remold India's economy

in order to incorporate it in a US economic empire.

In Iran, the failure of US aid to improve appreciably the country's serious economic and social problems has aroused increasing doubts about the value of the US as an ally. Government leaders have generally been disappointed over US failure thus far to provide emergency economic aid in the current crisis and have once again expressed some doubt of the help the US could and would provide in the event of war. At the same time, the US is being criticized for interfering in Iranian internal affairs, on the one hand by Soviet propagandists who claim that the US, having gained a dominant voice in the country, must bear the real responsibility for the government's inability to alleviate popular economic and social distress, and on the other by Prime Minister Ali Mansur, [REDACTED]

In the Arab states, there has been at least a temporary revival of the violent and irresponsible anti-US feeling generated by the Palestine problem, which reflects a widespread belief that the US is re-arming Israel and is attempting to force the Arabs to make peace with the Israelis.

In Greece, meanwhile, recent US efforts to encourage the emergence of an effective, popularly supported cabinet have apparently received general public support but have undoubtedly annoyed the King and other conservative political forces.

Despite these current signs of irritation, US prestige in the area has not deteriorated irretrievably. Indian bitterness is likely to wane as lessening tension between India and Pakistan improves conditions there. Iranian qualms about the firmness of US support would undoubtedly be quieted if US aid were made available. Current Arab outbursts against the US appear to have been stimulated largely by the difficulties recently encountered in the attempt to re-form a solid Arab front against Israel.

Present US difficulties in the Near and Middle East do, however, serve to delineate the nature of the problems the US must face in maintaining its influence in the area. India's capacity for friendship with the US is limited

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not only by the tensions of the moment but also by deep-seated convictions. Most Indian political leaders remain at least passively resentful toward the white race and scorn American materialism. Consequently their attitude toward the US will depend largely on circumstances. Any consistent friendship with the US would probably be unobtainable unless either the US were to provide the vast sums India needs for economic development or the USSR made threatening moves against the nations along India's borders.

Arab attitudes toward the US in the future are likely to reflect similar biases. Although the Arab states may become more friendly and may find it expedient to cooperate with the US, they will continue to have an underlying suspicion of US friendship for Israel. In the countries receiving substantial US public or private economic and financial support, the US will continue to be criticized for the inadequacy of its aid. Also, the US will be confronted by the problem of advising these governments without incurring accusations of undue interference. It can be anticipated that all these anti-US tendencies will undoubtedly be encouraged and utilized by Soviet propaganda throughout the entire Near and Middle East.

7. Far East.

a. Indonesia.

In Indonesia, the Federal Government has recently been making progress towards achieving greater political stability. During April many of the Sumatran labor troubles were settled, and the Makassar uprising was successfully suppressed. Since the Federal Republic's establishment as an independent nation in January 1950, there has been a strong movement toward a unitary state. This has resulted in a reduction of the original sixteen states to three: the Republic of Indonesia, East Sumatra, and East Indonesia. The foundation for a single Indonesian state may be laid at forthcoming discussions between the Federal Government and the three states. Such a development would result in a more efficient administration for the entire area and might eliminate rivalry between moderate Federal officials and more aggressive Repub-

lican leaders. Also, the subordination of the state of East Indonesia to a central regime would further reduce the influence of the pro-Dutch conservative elements that occupy important positions in East Indonesia.

Whereas the Indonesian Government has increased its authority over the archipelago, it faces severe economic obstacles. As a consequence of four years of Japanese occupation as well as four years of warfare, agricultural and industrial production, in addition to transportation facilities, are far below normal. Raw material exports, on which Indonesia depends for economic stability and progress, are substantially below their prewar volume. To improve its economic position, the government requires additional foreign credits for such items as road-building machinery and consumer goods. Such financial assistance, however, to be effective will be dependent on the government's adoption of measures to create confidence in its currency, the lack of which has led to large-scale commodity hoarding and widespread smuggling, thus depriving the government of badly needed sources of revenue. As these economic difficulties have resulted in more stringent living conditions, the Federal Government has lost some popularity. The two competing Communist parties, though not yet powerful organizations, are exploiting the situation by attempting to extend control over the labor movement and by recruiting Chinese agitators and propaganda workers from Malaya.

The principal military problems now being negotiated involve the absorption of from 30,000 to 50,000 still mobilized KNIL troops (the former Dutch colonial forces) into a federal army, and the extension of federal control over independent units of the former Republican Army (TNI). If Indonesian and Dutch officials can provide employment for the KNIL soldiers, the possibility of KNIL-inspired revolts, such as the Makassar and Ambon insurrections, will be substantially reduced.

Indonesia's relations with the Dutch as well as with Australia are currently being subjected to a new strain over the final disposition of Dutch New Guinea. The 1949 Dutch-

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Indonesian agreement failed to settle the future status of this area which borders Australian New Guinea. In their effort to retain control, the Netherlands Government probably will be supported by the Australians who, even before the Japanese threat of World War II, have been determined to keep Asiatic governments far from their shores. If an amicable settlement of this issue cannot be achieved, the whole tenor of Dutch-Indonesian cooperation may be jeopardized.

b. Burma.

The political consequences of the Burmese Army's recent military victories have increased somewhat the government's prestige and authority. These military gains have enhanced foreign confidence in the government's longevity and have brightened the prospects for economic and military assistance from the British Commonwealth and the US.

Nevertheless, a long and tedious effort will be required to restore law and order to the major areas of the country. Government troops, soon to be hampered by the impending monsoons, are thinly spread and require new equipment. Also, the main Karen and Com-

munist forces have not been dispersed and remain capable of prolonged guerrilla warfare. The continuing consolidation of Communist strength in China, moreover, greatly increases the possibility that Burma will be an early target for an extension of Chinese Communist control and influence.

c. Korea.

The general elections to Korea's National Assembly scheduled for 30 May are expected to reduce President Rhee's autocratic control of the country. There probably will be a substantial strengthening in the parliamentary position of the Democratic Nationalist Party, a relatively talented and well-organized group representing landed and business interests that have been critical of Rhee's corrupt and inefficient administration. Such an election result would improve the likelihood that economic policies, urged by US officials, would be carried out. Also, the opposition party's greater influence would tend to reduce the serious misuse of police powers which have contributed to Rhee's unpopularity. These developments would considerably lessen the chances for Communist exploitation in Southern Korea.

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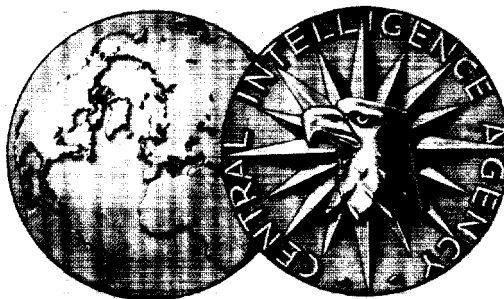
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